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SUBJECT: BULGARIAN COALITION TALKS STALL AS SIMEON TRIES TO KEEP HIS PM JOB; NEW PARLIAMENT TO CONVENE 11 JULY

Ref: (A) SOFIA 808, (B) SOFIA 1036, (C) SOFIA 1134

11. (SBU) SUMMARY: The Bulgarian Socialist Party (BSP), which won a plurality in the June 25 general elections, so far is struggling to hammer out a coalition deal to form the new government. The Socialists say the best option for a stable government is a three-party coalition including the defeated party of PM Simeon Saxe-Coburg and the ethnic Turkish Movement for Rights and Freedoms (MRF). Talks regarding the large coalition, however, are stuck due to the ex-king's continued demand to retain the PM post. President Georgi Purvanov has put additional pressure on the parties to quickly forge a deal by announcing he will convene the first session of the new parliament on July 11. The Socialists are determined to form a government with or without Simeon, and say they have secured the needed votes for a slim majority with just the MRF and a handful of individual MPs from other parties. Such a government, however, would be unstable and is unlikely to enjoy popularity at home or abroad. An eleventh-hour deal with Simeon is still possible, but, as always, his moves are difficult to predict. Bulgaria needs to quickly form a government and race to meet EU requirements if it wants to join the EU in 2007. END SUMMARY

12. (U) The June 25 election gave the Socialists 34 percent of the vote, which translated into 82 seats in the 240-seat parliament (Ref. A, C). That forced the BSP to seek support in forming a government from the MRF and the PM's National Movement for Simeon II (NMSS). The third-place MRF, a junior coalition partner in the outgoing government, said outright that they were ready to join the Socialists and have backed the PM nomination of 39-year-old BSP leader Sergei Stanishev. The Socialists see a three-party coalition, including Simeon's party, as the most stable option from a domestic point of view and most appealing for the EU process. In apparent solid coalition with the MRF, which has 34 parliamentary votes, the BSP is just five votes short of the 121 needed to form a coalition government. The BSP has been holding talks for 10 days now to bring the NMSS aboard the coalition in order to strengthen the government, but intense horse-trading has not produced concrete results.

WHAT TO DO WITH THE KING?

13. (SBU) The key issue preventing a coalition deal between the BSP, the NMSS and the MRF revolves around what to do with Simeon. Four years ago he became Europe's first former monarch to regain power as PM, and he clearly wants to hold onto the job despite being rejected by 80 percent of Bulgarian voters. In contrast with his pre-election statements, Simeon hinted that he is willing to cut a deal with the BSP. But his demand to stay as PM in the new coalition government is the key obstacle preventing a three-party deal. A much-awaited meeting of the three party leaders July 6 failed to bring a breakthrough. The Socialists have firmly ruled out allowing Simeon to keep the PM job. "This is impossible. There is no political logic to have the candidate for prime minister come from a party that lost the election", Socialist leader Stanishev said. The Socialists have reiterated publicly that their leader should hold the PM post. BSP officials, however, told us privately they were ready to withdraw Stanishev's nomination and consider a three-party government headed by a consensus figure, as long as it is not Simeon.

THE CLOCK IS TICKING

14. (SBU) President Purvanov put further pressure on the main political parties to forge a deal by scheduling the first session of the new parliament for July 11. A strong supporter of a three-party coalition, Purvanov said any weak coalition that could lead to early elections would be "fatal" for Bulgaria's EU accession, and urged the parties to map out a coalition agreement before the parliament is convened. The Socialists say they plan to approve a coalition agreement July 10. The European Commission has also appealed for a quick formation of the new cabinet to tackle reforms needed for EU accession. Any delay in forming the government may endanger Bulgaria's 2007 entry bid, delaying it by a year. Purvanov will most likely waste no time, and as early as next week may give the Socialists a mandate to form a government (Ref. B). They then have seven days to present him the government line-up, meaning that if the BSP succeeds in meeting the timeline and secures parliamentary backing, Bulgaria's new government could be sworn in this month. If the Socialists fail, Purvanov will let the second biggest party, Simeon's NMSS, try to form a government which some say is what the former king is hoping for.

15. (SBU) The Socialists are determined to form a government, although the BSP and the MRF together control only 116 seats in the 240-seat parliament and are still short of a majority. The Socialists might have to rely on support by individual MPs from other groups, and sources close to the party have told us they have already secured more than the 121 MPs needed for the government to be approved. The most likely donor of votes is the Bulgarian People's Union, the only center-right group to have held post-election consultations with the BSP. However, the complex situation may force the BSP to accept the support of left-leaning

MPs from the extreme nationalist group Ataka, which emerged as the fourth-largest force in parliament after a surprise election victory. Under this scenario, Ataka would not enter a coalition with the BSP, but members would support the BSP-led government in an anonymous vote. That makes the reformist Socialist leadership nervous, since the party has distanced itself from Ataka, and Stanishev has blasted the group saying its xenophobic and overtly racist views are incompatible with Bulgaria's drive to join the EU.

16. (SBU) COMMENT: The ex-king holds the key to the formation of a large coalition, seen by the international community as the best option for domestic stability and timely EU accession. Simeon's unwillingness to step aside has, however, stalled coalition talks, and his stubbornness is the key factor preventing a three-party deal. Overall, the Socialists are in a stronger position. Having secured a deal with the ethnic Turks, they appear able to form a government without Simeon. However, even if it wins parliamentary approval, a minority BSP-MRF government is unlikely to be strong enough politically to push through major changes ahead of EU accession. The convening of parliament next week is likely to intensify coalition bargaining, and all eyes will be on Simeon to see whether he will blink. It is unclear whether Simeon is playing hardball in order to secure the PM spot again, wants to burnish his legacy as a leader who fought hard but went out gracefully for the good of the country, or if he is trying to obtain maximum leverage to get more ministerial or material benefits for himself and his party. END COMMENT

17. (U) TABLE: Distribution of seats in the new parliament.

Party	MP seats
Bulgarian Socialist Party (BSP)	82
National Movement for Simeon II (NMSS)	53
Movement for Rights and Freedoms (MRF)	34
Ataka	21
Union of Democratic Forces (UDF)	20
Democrats for Strong Bulgaria (Kostov's group DSB)	17
Bulgarian People's Union (Sofianski's coalition BPU)	13

Majority in the 240-seat parliament is 121 MPs